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BOB ALDRICH
Acting Executive Officer

May 12, 2004

TO: Local Agency Formation Commission

FROM: Acting Executive Officer
Senior Project Manager

SUBJECT: Legislative Report

With the successful overhaul of the workers' compensation system now behind Sacramento, the Capitol is pressing on to tackle California's ongoing energy quandary and, once again, a very large projected deficit hole for the state's 2004-05 budget (approx. \$17 billion). As the Governor prepares his May Revise of the budget and the June 30th deadline for passing the budget nears, local government advocacy groups are joining hands again to protect local dollars, including sponsorship of a November ballot initiative called the "Local Taxpayers and Public Safety Protection Act."

The initiative would seek to constitutionally protect local government dollars by requiring voter approval of any legislation that provides for any reduction of local governments' vehicle license fee revenues, sales tax powers and revenues, and share of local property tax revenues. The co-sponsors - League of California Cities, California State Association of Counties, California Special Districts Association - are working with the LOCAL coalition ("Leave Our Community Assets Local") to collect signatures to qualify the measure for ballot. In response, the Schwarzenegger administration has initiated discussions with local government groups about a proposal that would link a two-year \$1.3 billion annual "contribution" by local governments to the state budget deficit with a proposed alternative constitutional amendment which would be strongly supported by the Governor. Those discussions are ongoing.

2004 LAFCO Bills

Staff is continuing to work closely with CALAFCO on 2004 legislation affecting LAFCOs, including several measures both organizations are in opposition to. The table below provides a brief outline of the various bills of interest to LAFCO this year and legislative positions adopted by the Commission last month. Position letters have been transmitted to the authors' offices accordingly. Bills considered "dead" or irrelevant to LAFCO this session have been omitted.

	Position	Bill Number	Author	Topic / Summary
1	Watch	AB 1936	Berg	City-county consolidations
2	Support	AB 2067	Harman	Consolidations of "dissimilar" agencies
3	Watch	AB 2247	Salinas	LAFCO and long-range planning/annexation efforts
4	Oppose	AB 2306	Richman	LAFCO authority to impose terms and conditions
5	Oppose	AB 2634	Canciamilla	LAFCO and urban limit lines
6	Support	AB 3077	Asm Local Govt Comm	Omnibus bill for technical clarifications in the LAFCO law
7	Watch	SB 1266	Torlakson	Criteria for island annexations
8	Oppose	SB 1414	Brulte	Consolidations of water agencies by the state

The following is a report on 2003-04 bills of interest to LAFCO, including a summary, analysis, and status report of each bill. There are no new recommended legislative positions this month.

STAFF RECOMMENDATIONS

Staff recommends that the Commission:

1. Receive and file the May 12, 2004 Legislative Report.

Respectfully submitted,

BOB ALDRICH

KENNETH G. LEE

Bill text is available for viewing and downloading in HTML and PDF formats on the Legislative Counsel's website at <http://www.leginfo.ca.gov>, or upon request to staff. A copy of the 2003-04 tentative legislative calendar is also attached.

CALAFCO Legislation

CALAFCO is again working with Assemblyman Harman's office this year on proposed LAFCO legislation, including a bill, **AB 2067**, that will seek to provide maximum flexibility to both LAFCOs and special districts to effectuate changes of (re)organization that ultimately benefit California's ratepayers. CALAFCO is engaged in cooperative and collaborative discussions with the Association of California Water Agencies ("ACWA") on AB 2067 and the possibility of paving new avenues for the consolidation of dissimilar agencies.

► AB 2067 (Harman)

Sponsored by CALAFCO, **AB 2067 (Harman)** would broaden the definition of "consolidation" by eliminating the restriction that consolidations may only occur between special districts formed under the same principal act. Under AB 2067, LAFCO could approve the consolidation of two or more "dissimilar" special districts and designate the principal act under which the newly formed and consolidated special district would function and operate. The bill would also allow LAFCO to designate other successor agencies for any powers of the predecessor districts that the newly formed district cannot pick up and exercise under its principal act. If there is any power that will not be picked up by a successor agency, LAFCO must conclude and determine that there will not be a significant negative impact to public health or safety.

AB 2067 paves new ground for LAFCOs and special districts to more effectively explore methods, opportunities, and alternatives for the reorganization of agency boundaries that promote the efficient and cost-effective delivery of public services while reducing redundancy and the overlapping of service territories. CALAFCO is continuing to work closely with ACWA on AB 2067, including the drafting of new proposed amendments to the bill prior to its April 28th hearing in the Assembly Local Government Committee.

- **Status:** Passed Assembly Local Government Committee on April 28th. (AYES 8. NOES 0.)
 - **Position:** Support
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LAFCO Policies and Terms & Conditions

► **AB 2306 (Richman)**

As introduced in February, **AB 2306 (Richman)**, was a placeholder bill with no substantive content. The bill was amended last month, however, to contain very substantive language that would prohibit LAFCOs from imposing terms and conditions on annexations that would require the initiation of a separate boundary change for territory that was not included in the original application. The bill is sponsored by the City of Simi Valley in Ventura County and is the product of local debates between the City and Ventura LAFCO about a local LAFCO policy that requires cities to file for annexation of all islands within their boundaries prior to LAFCO approval of any territory outside of the cities. The policy is similar to other local policies LAFCOs have adopted in the state addressing infill opportunities. AB 2306 would establish statutory provisions that supersede such local policies.

AB 2306 is shortsighted and fails to consider the full breadth of circumstances where a LAFCO may be compelled to condition a proposal on the initiation of another proposal. Orange County LAFCO has done so in many cases, particularly where one boundary change results in the need for the extension of services to other areas by the same or different agencies. AB 2306 unnecessarily restricts LAFCO's ability and flexibility to impose terms and conditions that promote the interest of the public welfare. The Commission opposes AB 2306.

- **Status:** Passed Assembly Local Government Committee on April 28th.
(AYES 9. NOES 0.)
- **Position:** Opposed

Small Island Annexations

► **SB 1266 (Torlakson)**

This bill would amend the island provisions of the CKH to establish specific parameters for criteria to determine when a LAFCO is mandated by law to approve an island annexation under the streamlined provisions of the law. Under existing law, the mandatory approval by LAFCOs of island annexations filed by cities applies only for islands that are considered: (1) "surrounded or substantially surrounded" by the annexing city's existing boundaries or by the city and a county boundary or Pacific Ocean; and (2) "substantially developed or developing" and "designated for urban growth by the general plan of the annexing city." The existing language does not define, however, what constitutes "surrounded or substantially surrounded" or "substantially developed or developing." The

ambiguity in the existing law has provided LAFCOs flexibility to locally define these criteria through local policies and procedures.

SB 1266 (Torlakson) would statutorily define the criteria for mandatory island annexations and make the following changes to law:

1. Clarify that an island may also be “surrounded or substantially surrounded” by the annexing city and an adjacent city or cities.
2. Define “surrounded or substantially surrounded” as at least 51 percent of the annexation area.
3. Requires that the island is “substantially developed” but deletes the criteria that the island may be substantially *developing*.
4. Requires that sewer, fire, roads, and water services will be provided by the city and/or special districts to the island upon annexation.
5. Applies only to areas that do not exceed 1,000 acres in size.

On November 19, 2001, Orange County LAFCO adopted its own local policy for small island annexations to define the criteria set forth in the law, including a definition for “surrounded or substantially surrounded” that is consistent with the threshold provided by SB 1266 – more than 50 percent. There is no apparent conflict between SB 1266 and this LAFCO’s island policies. It should also be noted that the changes proposed by SB 1266 only affect the mandate in the law that LAFCO approve an island annexation proposed by an annexing city and do not impact the ability of LAFCO to waive protest and election requirements for island annexations.

The Commission should be aware, however, that SB 1266 was introduced in response to a local land use dispute in Contra Costa County over a fairly large parcel of land located just outside the County’s voter-approved urban limit line. The property owner is seeking to annex and develop the land to an adjacent city. SB 1266 would expand the island provisions to apply to the parcel and mandate LAFCO to approve annexation of the parcel to the neighboring city, regardless of the existing urban limit line, if the annexation meets the thresholds established under SB 1266. SB 1266 is an example of an evolving legislative trend to better define the ambiguous relationship between LAFCOs and ballot box planning. AB 2634 (Canciamilla) is another, and is the counterpart to SB 1266.

- **Status:** May 5th hearing scheduled for Senate Local Government Committee.
- **Position:** Watch

LAFCO & Municipal Planning Tools

During the past several years, a number of bills have been introduced in the Legislature seeking to clarify the roles of LAFCO – annexations and spheres of influence – and other municipal planning tools. In particular, a growing number of bills have surfaced attempting to address the relationship between LAFCO’s authority to approve city annexations and set spheres of influence and ballot box planning measures approved by voters, including what are commonly known as *urban growth boundaries* and *urban limit lines*. These bills will be of particular interest to LAFCOs because of their proposed restrictions on LAFCO’s ability to annex territory to a city or include territory in a city’s sphere that is outside of a voter-approved urban growth boundary or urban limit line.

► **AB 2634 (Canciamilla)**

As introduced, **AB 2634 (Canciamilla)** would require that any determination made by a LAFCO and every approval of a boundary change must be consistent with any existing urban limit lines approved by voters. The bill would undermine LAFCO’s role, authority, and legislative charge to direct urban growth and development patterns through boundary changes, spheres of influence, and other tools (e.g., out-of-area service agreements, municipal service reviews, etc.) in a manner that promotes planned, logical boundaries. The Commission is “opposed” to AB 2634.

- **Status:** Passed Assembly Local Government Committee on April 28th.
(AYES 6. NOES 3.)
 - **Position:** Opposed
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► **AB 2247 (Salinas)**

Last year, Assembly Member Salinas authored special legislation out of Santa Cruz County to legislatively facilitate a unique form of ballot box planning in the City of Watsonville. After decades of conflict over growth, development, and annexations in Watsonville, local voters passed a long-range plan in November 2002 detailing when, where, and how development and annexations will occur in the City over the next 25 years. The long-range plan set forth a phased development approach with specific trigger mechanisms for the phased annexation of the various planning areas to the City.

To facilitate the phasing of annexations, LAFCOs typically require cities to submit separate, individual annexation applications for each phase of the development. Such an approach would require, however, that LAFCO’s approvals of the applications also be phased over the span of the 25-year period. Given the political climate in Watsonville, public and private stakeholders of the project determined that there would be too much risk in entrusting a future elected body to carry out the future phased annexations in good faith of the ballot measure. Stakeholders

therefore explored the ability of LAFCO to approve all of the phases today but stagger the effective dates of the various phases for the future. AB 520 (Chapter 36, Statutes of 2003) provided that ability, effective January 1, 2004, by waiving a statutory limitation for Santa Cruz LAFCO on how far out it can set an effective date from the date the voters approve an annexation phase.

AB 2247 (Salinas) makes findings and declarations of the Legislature that it is the intent of the Legislature to encourage this type of long-term planning in jurisdictions across California and that options are to be made available to cities to work with LAFCOs to plan long-range for annexations and developments up to 15 years out. Staff concurs that long-term planning should be encouraged in California, similar to the future-oriented, long-range planning efforts Orange County LAFCO has embarked upon to address future governance, services, and infrastructure challenges through municipal service reviews ("MSRs"). CALAFCO has consistently voiced concern, however, over the imposition and implementation of a predetermined long-range land use and phased annexation plan on a future Commission with no ability of that future LAFCO to revisit the annexation plan and respond to potential changes in circumstances. CALAFCO continues to voice that concern. Staff concurs with and is appreciative of CALAFCO's concerns and believes the current language in AB 2247 requires additional revision, but staff is open to new opportunities to better coordinate long-range, regional planning efforts between cities and LAFCOs.

- **Status:** Introduced on Feb. 20.
- **Position:** Watch

State-Enacted Consolidations

► **SB 1414 (Brulte)**

During the 1997-98 Legislative Session, Assembly Member Curt Pringle authored a bill that raised red flags all around Orange County within the special district community. AB 556 (Pringle), affectionately known as the "Pringle Bill," would have statutorily consolidated various special districts in Orange County unless special districts themselves initiated reorganizations of agency boundaries through LAFCO. Orange County LAFCO has historically opposed this type of special legislation that takes away local control and accountability over local agency boundaries and service delivery. Such proposals diminish the role and responsibilities of LAFCO to work with agencies at the local level to effectuate reorganizations of agency boundaries for the benefit of the ratepayers.

As introduced, **SB 1414 (Brulte)** has the makings of another “Pringle Bill.” The bill makes findings and declarations of the Legislature’s intent “to enact legislation to consolidate various local water agencies in southern California.” Staff is aware that this piece of legislation is spurred by local issues in the Lake Arrowhead area and is not intended to address issues in other parts of southern California. That bit of information does not, however, take the sting out of the language in the bill or allay concerns about special legislation introduced to circumvent the LAFCO process. The Commission is “opposed” to SB 1414.

- **Status:** Introduced on Feb. 19.
- **Position:** Opposed

City-County Consolidations

► **AB 1936 (Berg)**

Recent issues and controversies that have surfaced in the upper part of the state have prompted the introduction of special legislation that would establish new procedures for the consolidation of the County of Del Norte and its only city, Crescent City, into a single “City-County of Crescent Del-Norte” like the City-County of San Francisco. The bill is an indicator of new measures local governments are willing to explore to protect the welfare of their constituents from the fallout of the state’s fiscal crisis.

- **Status:** Passed Assembly Local Government Committee on April 28th. (AYES 9. NOES 0.)
- **Position:** Watch

Clarifying Changes to LAFCO Law

► **AB 3077 (Assembly Local Government Committee)**

Over the years, CALAFCO has improved its visibility in Sacramento and its relations with legislative delegates and staff. One product of those improved relations is **AB 3077**. Since the passage of “the Hertzberg bill,” AB 2838 (Chapter 761, Statutes of 2000), CALAFCO has worked closely with the various local government associations in Sacramento and legislative staff to “clean up” various areas of the CKH Act. Beginning this year, CALAFCO and the Assembly Local Government Committee will be working together on an ongoing basis to craft an

omnibus bill specific to the CKH Act. AB 3077 proposes a series of technical, non-controversial, clarifying changes to the CKH Act.

- **Status:** Passed Assembly Local Government Committee on April 21st.
(AYES 9. NOES 0.)
 - **Position:** Support
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TENTATIVE LEGISLATIVE CALENDAR 2003–04 REGULAR SESSION

2004

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).
- Jan. 5 Legislature reconvenes (J.R. 51(a)(4)).
- Jan. 10 Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- Jan. 16 Last day for policy committees to hear and report to Fiscal Committees fiscal bills introduced in their house 2003 (J.R.61(b)(1)).
- Jan. 23 Last day to submit bill requests to the Office of Legislative Counsel.
- Jan. 23 Last day for any committee to hear and report to the Floor bills introduced in their house in 2003 (J.R. 61 (b)(2)).
- Jan. 31 Last day for each house to pass bills introduced in 2003 in their house (J.R. 61 (b)(3)) and (Art. IV, Sec. 10(c)).
- Feb. 20 Last day for bills to be introduced (J.R. 54(a)).
- Apr. 1 Spring Recess begins at end of this day's session (J.R.51 (b)(1)).
- Apr. 12 Legislature reconvenes (J.R. 51(b)(1)).
- Apr. 23 Last day for policy committees to hear and report to Fiscal Committees fiscal bills introduced in their house (J.R. 61(b)(5)).
- May 7 Last day for policy committees to hear and report non-fiscal bills introduced in their house to floor (J.R. 61(b)(6)).
- May 14 Last day for policy committees to meet prior to June 1 (J.R. 61(b)(7)).
- May 21 Last day for Fiscal Committees to hear and report to the Floor bills introduced in their house (J.R. 61(b)(8)).
- May 21 Last day for Fiscal Committees to meet prior to June 1 (J.R.61(b)(9)).
- May 28 Last day for bills to be passed out of the house of origin (J.R. 61(b)(10)).
- June 1 Committee meetings may resume (J.R. 61(b)(11)).
- June 15 Budget must be passed by midnight (Art. IV, Sec. 12(c)).
- June 25 Last day for a legislative measure to qualify for the general election (Nov. 2) ballot (Elec. Code Sec. 9040).
- June 25 Last day for policy committees to meet and report bills (J.R. 61(b)(12)).
- July 2 Summer Recess begins at the end of this day's session if Budget Bill has been enacted (J.R. 51(b)(2)).

- Aug. 2 Legislature reconvenes (J.R. 51(b)(2)).
- Aug. 13 Last day for Fiscal Committees to meet and report bills to Floor (J.R. 61(b)(13)).
- Aug. 16 Through Aug. 31 – Floor session only. No committees, other than the committee on rules or conference committees, may meet for any purpose (J.R. 61(b)(14)).
- Aug. 20 Last day to amend bills on the Floor (J.R. 61 (b)(15)).
- Aug. 31 Last day for each house to pass bills (Art. IV, Sec 10(c)) and (J.R. 61(b)(15)).
- Aug. 31 Final Recess begins at end of this day's session (J.R. 51(b)(3)).
- Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in his possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).
- Oct. 2 Bills enacted on or before this date take effect on Jan. 1, 2005 (Art. IV, Sec. 8(c)).
- Nov. 30 Adjournment Sine Die midnight (Art. IV, Sec. 3(a)).
- Dec. 6 12M Convening of the 2005-06 Regular Session (Art. IV, Sec. 3 (a)).

2005

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).